

FINAL

February 23, 2015, 11:06 A.M.

A G E N D A

NATURAL RESOURCES ITEMS FOR THE

TRANSPORTATION AND NATURAL RESOURCES COMMITTEE - STATE ADMINISTRATIVE BOARD

Transportation and Natural Resources - March 3, 2015 - 11:00 A.M.
State Administrative Board Meeting - March 10, 2015 - 11:00 A.M.

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This agenda is for general informational purposes only. At its discretion, the Transportation and Natural Resources Committee may revise this agenda and may take up other issues at the meeting.

MINERAL LEASE

1. **DIRECT OIL AND GAS LEASE - DEVELOPMENT WITH RESTRICTIONS:** Oil and gas lease rights to 80.00 acres, more or less, of state-owned Department of Natural Resources oil and gas rights located in Section 28, T30N, R05W, Star Township, Antrim County, have been requested by Kosco Energy Group LLC, of Traverse City, Michigan.

Terms: One-year primary term; no extension options; three-sixteenths (3/16) royalty; \$800 bonus consideration (\$10 per acre); and \$2 per acre annual rental.

The Natural Resources Deputy approved this item February 11, 2015. The form of legal documents involved in this transaction has previously been approved by the Attorney General.

I recommend approval.

Respectfully submitted:
Department of Natural Resources

By: Julie Manson for
Tracie Bonner, Acting Manager
Minerals Management



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING



KEITH CREAGH
DIRECTOR

February 10, 2015

To: Dr. William E. Moritz, Natural Resources Deputy

Transaction: One Direct Oil and Gas Lease, Development with Restrictions

Authority: Part 5, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended; and R 299.8105, Direct Leases, Rule 105, Section (4)

Applicant: Kosco Energy Group LLC, of Traverse City, Michigan

Jurisdiction: Department of Natural Resources (DNR), state-owned oil and gas rights

Mineral Description: W1/2 SE1/4, Section 28, T30N, R05W, Star Township, Antrim County, containing 80.00 acres, more or less (map attached)

Drilling Type/Unit: Parcel lies adjacent to the existing producing Starfire South Antrim Unitized Area; within Sections 28, 29, and 32, T30N, R05W, Star Township, Antrim County.

Comments: Applicant wishes to amend the existing Starfire South Antrim Unitized Area to add the requested 80-acre parcel. A DNR geologist confirmed that the requested parcel is currently being drained of state-owned hydrocarbons without payment of royalties.

Lease Terms: One-year primary term; no extension options; three-sixteenths (3/16) royalty; \$800 bonus consideration (\$10 per acre); and \$2 per acre annual rental.


Restrictions: Limited surface disturbance.

Notice: Notice was published in the *Antrim Review* newspaper December 18, 2014. This item appeared on the February 3, 2015, DNR Business Calendar and is eligible for approval February 10, 2015.

Recommendation: The oil and gas lease be issued to the applicant pursuant to the above terms and restrictions.


Tracie Bonner, Acting Manager
Minerals Management

I approve the staff recommendation.


William E. Moritz, Ph.D.
Natural Resources Deputy


Approval Date

DIRECT OIL AND GAS LEASE - DEVELOPMENT

Kosco Energy Group LLC
 Starfire South Antrim Unitized Area
 W1/2 SE1/4, Section 28, T30N, R05W
 Star Township, Antrim County



- | | |
|--|-------------------------------|
| — Starfire South Unitized Area boundary (existing) | Mineral and surface ownership |
| - - - Lands proposed to be amended into existing Starfire South Unitized Area | Mineral ownership |
| State-owned DNR oil and gas rights requested for lease (80.00 acres, more or less) | Mixed ownership |
| | Surface ownership |
| | / Plugged well |
| | * Natural gas well |
| | △ Brine disposal well |
| | ○ Permitted well location |

